

Message Text

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ACTION EB-11

INFO OCT-01 ARA-16 ISO-00 INT-08 SCEM-02 SCI-06 AID-20

CIAE-00 COME-00 FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00

XMB-07 OPIC-12 SPC-03 CIEP-02 LAB-06 SIL-01 OMB-01

DODE-00 PM-07 H-03 L-03 NSC-10 PA-03 PRS-01 SS-15

USIA-15 ACDA-19 IO-15 STR-08 CEA-02 DRC-01 /211 W

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R 102130Z OCT 73

FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC 5289

INFO AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

AMEMBASSY PANAMA

AMEMBASSY SAN SALVADOR

AMEMBASSY TEGUCIGALPA

C O N F I D N T I A L SECTION 1 OF 2 SAN JOSE 3612

E.O. 11652: GDS

TAGS: ENRG, MTRD, EIND, CS

SUBJECT: RECOPE--STATUS REPORT ON PURCHASE NEGOTIATIONS

REF: SAN JOSE 3449 (NOTAL)

SUMMARY: REPRESENTATIVES OF ALLIED CHEMICAL
SUBSIDIARY, UNION TEXAS PETROLEUM (UTP), ARRIVED
SAN JOSE OCTOBER 8 TO BEGIN NEGOTIATING TERMS OF
TRANSFER OF RECOPE REFINERY TO THE GOOCR. BY MORNING
OCTOBER 10 LITTLE OR NO PROGRESS MADE IN TALKS AND DIS-
CUSSIONS SEEM TO BE IN VERY DELICATE STAGE. WE HAVE
TALKED TO BOTH SIDES URGING MODERATION. ALLIED REPRE-
SENTATIVES PLAN TO RETURN TO GOUSTON "WITH OR WITHOUT"
AGREEMENT ON FRIDAY.

1. UTP REPRESENTATIVES HAROLD TEVERBOUGH AND
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ELLIOT FLOWERS ARRIVED SAN JOSE MORNING OF OCTOBER 8

TO BEGIN TALKS OF TERMS OF TRANSFER OF COSTA RICA'S REFINERY, RECOPE, TO THE GOCR. AS REPORTED PREVIOUSLY, DURING RECENT DISCUSSIONS IN HOUSTON UTP SAID ALLIED WAS WILLING TO SELL ITS INTEREST IN RECOPE FOR "SYMBOLIC" \$1.00 PLUS GOCR ASSUMPTION OF FRENCH DEBT (OUTSTANDING BALANCE VARIOUSLY REPORTED \$4 TO \$6 MILLION) PLUS INVENTORIES (ESTIMATED BY TEVERBOUGH AT ABOUT \$1.8 MILLION). TEVERBOUGH AND ZFLOWERS CALLED ON AMBASSADOR SHORTLY AFTER ARRIVAL AND AGAIN MORNING OF OCTOBER 10. MINISTER OF INDUSTRIES KOGAN HAS TELEPHONED AMBASSADOR TWICE REGARDING NEGOTIATIONS. WHILE TEVERBOUGH CLAIMS TRANSFER IS REASONABLY STRAIGHTFORWARD AND "COULD BE EFFECTED IN 30 MINUTES", SO FAR THE TWO SIDES HAVE FAILED TO REACH AGREEMENT AND THE POSSIBILITY EXISTS THAT WITH HARDENING POSITIONS AT LEAST THIS ROUND OF TALKS WILL COME TO NOUGHT.

2. MAJOR FACTORS BEARING ON CASE ARE:

A. UTP INSISTENCE ON NO "RE-SALE" CLAUSE. IN DRAFT TRANSFER AGREEMENT BROUGHT BY FLOWERS, GOCR WOULD BE PROHIBITED FROM TRANSFERING FACILITY TO THIRD PARTY FOR PERIOD OF FIVE YEARS UNDER PENALTY OF SHARING ANY GAINS IN EVENT OF TRANSFER 50/50 WITH UTP. FLOWERS DESCRIBED THIS TO US AS ATTEMPT TO SMOKE OUT WHETHER GOCR WAS CONTEMPLATING SOME PROMOTIONAL TYPE PURCHASE UNDER WHICH RECOPE COULD BE SOLD TO A PRIVATE PARTY (WITH GOOD FEES TO SPLIT ALL AROUND) AND GOVERNMENT WOULD THEN INCREASE PRICES TO MAKE OPERATION PROFITABLE. FLOWERS SAID KOGAN REACTED VIOLENTLY ON SOVEREIGNTY GROUNDS TO THIS PROPOSAL BUT LATER STATED NO SUCH TRANSFER CONTEMPLATED. FYI: UTP TELLS US THEY WILL PROBABLY DROP "RE-SALE"/KCLAUSE.

B. PAYMENT FOR INVENTORY. FLOWERS CLAIMS KOGAN IS ATTEMPTING TO HAGGLE ON BOTH PRICE AND MANNER OF PAYMENT. HE SAID DESPITE ASSURANCES SOM DIPUTADO JIMENEZ THAT GOCR HAS MONEY TO PAY, KOGAN IS SEEKING 6 MONTH TERMS ANDNYTTEMPTING TO WHITTLE DOWN SALE PRICE. KOGAN TOLD AMBASSADOR DIFFERENT STORY TO EFFECT THAT UTP NOW ATTEMPTING TO LUMP SPARE PARTS IN INVENTORY PURCHASE, A FACTOR NOT CONTEMPLATED DURING HOUSTON DISCUSSIONS--UTP CONFIDENTIAL

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REPRESENTATIVES MENTIONED NOTHING ABOUT SPARE PARTS TO US. C. TRANSFER OF STOCK CERTIFICATES. FLOWERS SWXD KOBAN HAS CONTINUALLY PRESSED FOR SURRENDER OF STOCK CERTIFICATES AT MOMENT OF SIGNATURE OF TRANSFER AGREEMENT. UTP, HOWEVER, WILL NOT RELINQUISHIXONTROL UNTIL PAYMENT ACTUALLY MADE FOR INVENTORY. THUS, IF AN ARRANGEMENT FOR PAYMENT OVER TIME IS WORKED OUT, UTP WILL INSIST ON HOLDING CERTIFICATES AS GUARANTEE OF COMPLIANCE.

D. ASSURANCE OF "QUIT CLAIM". GOCR A0-43,5)6
28))8,& 59 8 73 UNCONDITIONAL QUIT CLAIM OF AGREEMENT
REACHED ON REST OF DEAL. PRESUMABLY THIS WOULD BE THE
STATEMENT SIGNED BY PRESIDENT FIGUERES. FLOWERS APPARENTLY
UNNECESSARILY RUFFLED FEATHERS BY POINTING OUT THAT A QUIT CLAIM
SIGNED BY FIGUERES MIGHT BE WORTHLESS UNTIL SUCH TIME
AS THE ASSEMBLY APPROVED TRANSFER. FLOWERS SAID
THAT IN CONTRAST TO OPINION IN HOUSTON, GOCR NOW
FEELS THAT LEGISLATIVE APPROVAL OF TRANSFER IS ESSENTIAL
AND OTHER LEGAL ARRANGEMENTS MUST BE LOOKED INTO AS WELL.

3. AN EMERGENCY SITUATION REGARDING CRUDE SUPPLY
WHICH CAME TO LIGHT JUST THIS MORNING WAS APPARENTLY
BEEN CLEARED UP BY TEVERBOUGH SHORTLY AFTER HIS CALL
AT THE EMBASSY. THIS INVOLVED A SHIPMENT OF CRUDE
VALUED AT APPROXIMATELY \$1 MILLION WHICH IS NOW ON THE
HIGH SEAS. ALLIED HAD NOTIFIED BOTH SHELL AND THE GOCR,
IN ANTICIPATION OF A SMOOTH TRANSFER OF RECOPE, THAT
ALLIED WOULD RECEIVE NO FURTHER SHIPMENTS UNDER THE
RECOPE/ALLIED CONTRACT WITH SHELL. (THE GOCR WAS TO
ASSUME THIS CONTRACT.) IN PRESENT IMPASSE SHELL
MANAGER REPORTEDLY TOLD KOGAN HE WOULD NOT DELIVER
CRUDE WITHOUT PAYMENT GUARANTEE, THEREBY POSING PROSPECT OF V
EARLY SHUTDOWN OF REFINERY, LEAVING COSTA RICA IN VERY SERIOUS
SITUATION. TEVERBOUGH, HOWEVER, SAYS PROBLEM HAS NOW BEEN
WORKED OUT AND CRUDE WILL BE DELIVERED. WE STILL DO
NOT KNOW TERMS OF PAYMENT BUT ASO
E FROM EARLIER
DISCUSSIONS THAT GOCR WILL GUARANTEE PAYMENT WITH
ALLIED FURNISHING FALL BACK GUARANTEE.

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R 102130Z OCT 73

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C O N F I D E N T I A L SECTION 2 OF 2 SAN JOSE 3612

4. COMMENT: WE THINK PROBLEM IS MORE ONE OF PERSONALITIES AND NEGOTIATING TACTICS THAN SUBSTANCE. TEVERBOUGH AND FLOWERS OBVIOUSLY HAVE OPTED FOR A HARD NOSE POSITION AND KOGAN SEEMS TO BE OUT OF HIS ELEMENT, WITH RESULT THAT GIVE AND TAKE SIMPLY HAS NOT MATERIALIZED. FLOWERS AND TEVERBOUGH COMPLAINED THAT KOGAN HAS ATTEMPTED TO NEGOTIATE WITH A ROOM PACKED FULL OF ADVISERS, ALWAYS INCLUDING DIPUTADO JIMENEZ, WITH A RESULT THAT REAL DISCUSSION OF ISSUES IS PRACTICALLY IMPOSSIBLE. THE RAPIDITY WITH WHICH TEVERBOUGH ACTED ON CRUDE SUPPLY PROBLEM, HOWEVER, IS A HOPEFUL SIGN.

5. IN HIS CALLS TO THE AMBASSADOR, KOGAN HAS OFTEN SEEMED FRANTIC; HE SEEMS TO HOPE TO BE ABLE TO PULL THE EMBASSY INTO THE MIDDLE OF THINGS. WE HAVE SUCCESSFULLY AVOIDED GETTING ENTANGLED BY EITHER SIDE AND HAVE URGED BOTH SIDES TO TRY THEIR BEST TO REACH
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AN AGREEMENT.
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